

Why did electricity price go up without a public hearing?

Professor M Shamsul Alam, energy expert and senior vice-president of Consumers Association of Bangladesh (CAB), talks to Naznin Tithi of The Daily Star about the reasons behind the recent electricity price hike and how the energy sector can be made more efficient.

The bulk electricity price has recently been raised by 19.92 percent. What implications will this have for consumers, businesses, and the economy at large?

An increase in electricity price at this time of high inflation is unacceptable. This will not only affect people through higher power bills, but have spiralling and cumulative effects as well. Marginalised consumers and those with limited incomes – who constitute around 80 percent of the country's population – will be the worst affected.

In 2022 alone, the price of gas increased by about 23 percent, other fuel prices increased even more, and now, the electricity price has gone up as well.

Because of gas, fuel and electricity price hikes, production costs of different products and services have increased. Energy price hikes can often become a perfect pretext for traders to unethically increase prices as well. We have often seen prices shoot up even before new energy prices took effect. Therefore, this fresh hike in electricity price will be yet another blow to the common people, who already have their backs against the wall due to decreased incomes and increased living expenditure.

The government has been saying that fuel prices are going up because of the Russia-Ukraine war. But we have shown in our analysis how energy prices have been increased artificially by increasing supply costs unnecessarily and in corrupt ways, and how consumers are being burdened with the increased price of power and primary fuel.

The Bangladesh Energy Regulatory Commission (BERC) held a public hearing over a price-adjustment proposal from the Bangladesh Power Development Board (BPDB) in May this year. What happened there? After rejecting the BPDB's proposal to increase electricity prices in October this year, what prompted the price hike a month later?

It is most unfortunate that BERC has increased the price without reviewing the current situation and without holding any public hearings, which is a violation of consumers' rights and of the BERC Act. If there is a proposal to raise energy prices, the Commission must hold a public hearing and give

In the public hearing that happened in May this year, BPDB proposed to hike the electricity price, saying there would be six percent growth in power generation and that there would be zero loadshedding. Under these conditions, the deficit in the power sector was shown to be around Tk 25,000 crore. But BERC increased the power price last month without fulfilling its commitments, while the power division decreased production to reduce the use of fuel, forcing the entire country to experience frequent loadshedding in the few months before winter set in. And it is totally unclear what the government did with the money that they saved through this loadshedding.

its decision within 90 days. While BERC, being a regulator, is supposed to protect consumers' energy rights, the power division (as an upstream regulator) should protect this right at the policy level.

According to the BERC Act, the Commission is a neutral and independent body, but in reality, it does not act like one. After the BPDB proposed a power price hike earlier this year, the BERC held public hearings in May and in October, and rejected the proposal. The Power



Prof M Shamsul Alam

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Development Board again applied to BERC to review that order. This time, BERC increased the electricity price without holding any public hearing on the review appeal.

Instead of playing a neutral role, the Commission abused its authority here. This price hike will harm both consumers and the

rental power, and for the renewal of rental power plant contracts. But since BERC could not fix the price without holding a public hearing, the government divisions concerned fixed the price themselves. This time, when BERC increased the price without holding any public hearing on the review appeal, it was clear that they were forced to do so. Then, when the Commission came under pressure for increasing the price without following due procedure, the government understood that it would not be easy to increase power prices without holding public hearings – hence, the amendment to the BERC Act.

We have also seen that the issues identified in public hearings are not taken into consideration by BERC, and they set their prices as they see fit. Consumers do not know about the various hidden costs in the energy sector. People can know about this only if there is a public hearing. But the government or the power and energy divisions no longer want people to know about the corruption and irregularities in this sector. Already, allegations of irregularities have been raised against the Energy Division of the government, BERC, BPC, Petrobangla, etc.

The Tk 8,000 crore increase in wholesale electricity prices will eventually be passed onto consumers. We have challenged the government that if they hold a public hearing, we can prove how this money can be adjusted through various internal adjustments without increasing the price at the consumer level. But the government clearly doesn't want this.

The government can make laws and also change them. But in this case, the government is doing business. It gets dividends as the owner of energy companies, and also earns revenue from this sector. Moreover, if the companies incur losses, the government provides them with subsidies. So, being in the energy business itself, can the government fix the prices of energy? The prices should be determined by a regulatory body and the regulatory law instead, which we already have. What is happening now is contradictory to the basic principle of the regulatory law and the basic philosophy of our Constitution. The government's job is to ensure good governance, transparency and people's welfare, not amend a law to hide corruption, looting, and embezzlement.

What reforms do we need in the power sector to ensure electricity for all at affordable costs?

The government has not yet formally admitted that the steps and measures it has taken to develop our power sector have actually failed. One of the main problems of the reform initiatives taken by the government since 1990 is leaving power generation and supply services to the private sector, and withdrawing itself from

there is no competitive bidding process in selecting the investors. In the absence of competitive bidding, there is no level playing field in this sector.

While the standard profit in the electricity sector is over 4.18 percent, the companies selected without any competition are making profits of 18 percent. The investors are now taking away huge profits by

structure of the state.

We have identified that there are predatory costs, corruption-related expenses and inefficiency-related expenses that are making the sector weak. We have also found out how a large amount of money has been embezzled from this sector through different procedures. We have disclosed our findings to the government, but the power division

It is most unfortunate that BERC has increased the price without reviewing the current situation and without holding any public hearings, which is a violation of consumers' rights and of the BERC Act. If there is a proposal to raise energy prices, the Commission must hold a public hearing and give its decision within 90 days. While BERC, being a regulator, is supposed to protect consumers' energy rights, the power division (as an upstream regulator) should protect this right at the policy level.

showing high spending on LNG and equipment, which is actually not the case. We are calling this predatory costs and predatory profit. Needless to say, the money has been laundered outside the country through various corrupt practices, including buying equipment for plants. The BERC should have looked into this and suggested deducting these costs while fixing prices, but it didn't do so.

If there was competitive bidding, only the efficient companies, those who can work with low costs, would have gotten the job. We now have increased power generation capacity, which we do not need. Moreover, privatisation of this sector has changed the decision-making

or the authorities concerned have failed to prevent these unnecessary expenditures or recover the embezzled money. We have shown how, under the Quick Enhancement of Electricity and Energy Supply (Special Provision) Act 2010, the expenditure in the sector has increased and how we can adjust the unreasonable expenditure of above Tk 30,000 crore in the power sector.

We have been saying this all along – the government won't need to increase the electricity price or provide a staggering Tk 17,000 crore to the sector as subsidies, if it can make some adjustments to these costs and prevent the irregularities and corruption in the sector.



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government – while the government will have to pay Tk 17,000 crore as subsidy, consumers will have to pay around Tk 8,000 crore to make up for the deficit.

In the public hearing that happened in May this year, BPDB proposed to hike the electricity price, saying there would be six percent growth in power generation and that there would be zero loadshedding. Under these conditions, the deficit in the power sector was shown to be around Tk 25,000 crore. But BERC increased the power price last month without fulfilling its commitments, while the power division decreased production to reduce the use of fuel, forcing the entire country to experience frequent loadshedding in the few months before winter set in. And it is totally unclear what the government did with the money that they saved through this loadshedding.

So now, the consumers will have to pay more for a service they will not get. Strangely enough, the power division will get subsidies from the government despite reducing production to save money. We have said several times in the past that the deficit in the energy sector has increased tremendously due to corruption, irregularities, predatory costs, and predatory profits. If the government had checked these, there would not have been the need to raise prices or provide subsidies.

Last week, the cabinet approved an amendment to the BERC Act. Why do you think the Act has been amended at this time? What does this mean for our energy sector?

It is clear from this amendment that the energy and power division of the government wants to avoid the public hearings at all costs. Earlier, they had sent a proposal to BERC to determine the purchase price of

giving people any services relating to energy.

In an attempt to bring higher investment from the private sector, the government brought in the Quick Enhancement of Electricity and Energy Supply (Special Provision) Act 2010, which ruined the competition in this sector –

Government of The People's Republic of Bangladesh
Office of The Director
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Date: 03-12-2022.

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SL. No.	Tender Id	Name of Goods	Tender/ Proposal Last Submit Date & Time	Tender/ Proposal Closing Date & Time	Tender/ Proposal Opening Date & Time
1	754633	Procurement of Cleaning Items for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
2	754634	Procurement of Others Materials for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
3	754635	Procurement of Monihari & Form Materials for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
4	754636	Procurement of C C Camera & other materials for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
5	754637	Procurement of leverage for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
6	754638	Procurement of Anesthesia Machine with Ventilator for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
7	754641	Procurement of ERCP & Accessories for Existing Machine for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
8	754642	Procurement of Semi Automated Bio-Chemistry Analyzer for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
9	754643	Procurement of Electro Surgical Unit (Diathermy Machine) 01 set for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
10	754644	Procurement of MSR Linen goods for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
11	754645	Procurement of MSR Surgical goods (Instrument) for the fiscal year 2022-23	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
12	754646	Procurement of MSR Gauze, Bandage, cotton & others for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
13	754647	Procurement of MSR Surgical Goods (Equipments) for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
14	754649	Procurement of MSR Pathological Chemical Reagent & others for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
15	754651	Procurement of MSR Anesthetic agent for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
16	754652	Procurement of MSR Surgical goods (suture items) for the fiscal year 2022-23	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
17	754653	Procurement of MSR X-ray Film for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
18	754654	Procurement of MSR Chemical Re-agent (Device) for the fiscal year 2022-2023.	18-Dec-2022 16:00	19-Dec-2022 13:00	19-Dec-2022 13:00
19	754648	Procurement of MSR Surgical Goods (Disposable item) for the fiscal year 2022-2023.	26-Dec-2022 16:00	27-Dec-2022 13:00	27-Dec-2022 13:00
20	754650	Procurement of MSR Machine Readable Re-agents for the fiscal year 2022-2023.	26-Dec-2022 16:00	27-Dec-2022 13:00	27-Dec-2022 13:00

For pursuer e-Tender details can be downloaded on e-GP system portal (<https://www.eprocure.gov.bd>). e-tender will be accepted only as stated in above list, accepted tenders will be opened online as stated in above list.

Signed/-
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